REPORT OF EXAMINATION
OF THE

PACIFIC SELECT PROPERTY
INSURANCE COMPANY

AS OF
DECEMBER 31, 2006

Participating State and
Zone:

California

Filed June 23, 2008

TABLE OF CONTENTS

San Francisco, California
May, 20, 2008

Honorable Alfred W. Gross
Chairman of the NAIC Financial
Condition Subcommittee
Commissioner of Insurance
Virginia Bureau of Insurance
Richmond, Virginia

Honorable Kent Michie
Secretary, Zone IV-Western
Commissioner of Insurance
Department of Insurance, State of Utah
Salt Lake City, Utah

Honorable Steve Poizner
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Chairman, Secretary, and Commissioner:

Pursuant to your instructions, an examination was made of the

PACIFIC SELECT PROPERTY INSURANCE COMPANY

(hereinafter referred to as the Company) at its home office located at 4820 Business Center Drive, Suite 200, Fairfield, California 94534.

SCOPE OF EXAMINATION

The previous examination of the Company was made as of December 31, 2002. This examination covers the period from January 1, 2003 through December 31, 2006. The examination was conducted pursuant to the National Association of Insurance Commissioners' plan of examination. The examination included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions, an evaluation of assets, and a determination of liabilities as of December 31, 2006, as deemed necessary under the circumstances.

The examination was conducted concurrently with the examination of the Company's affiliates, GeoVera Insurance Company (GVIC) and GeoVera Specialty Insurance Company (GVSIC), both of which were domiciled in Maryland at December 31, 2006, but were redomesticated to California effective January 1, 2007.

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; officers', employees' and agents' welfare and pension plans; growth of company; business in force by states; and sales and advertising.

SUBSEQUENT EVENTS

In 2007, the Company formed a new Arizona stock company, GeoVera Security Insurance Company (GSIC), and acquired 100% of its stock for an aggregate consideration of $1.5 million. In April of 2008, the Company made a cash contribution of $13.7 million to GSIC. The Company disclosed this transaction in its Form B and C Holding Company filings to the California Department of Insurance (CDI) on April 30, 2008.

During the first quarter of 2008, the Company (PSPIC) and its affiliates, GeoVera Insurance Company (GVIC) and GeoVera Specialty Insurance Company (GVSIC) paid ordinary dividends totaling $15,811,871 to its parent company, GeoVera Holdings, Inc. (GVH). In April 2008, the Company, GVIC and GVSIC applied to the California Department of Insurance (CDI) for an approval of an extraordinary dividend to its parent, GVH, totaling $44,750,000 of which $15.5 million would be paid by the Company. The application is currently pending before the CDI. If approved, the Company and its affiliates' projected surplus after the extraordinary dividends would be as follows:

Company	Surplus as Reported in 2007 Annual Statement	Ordinary Dividends Paid in March 2008	Surplus After Ordinary Dividends	Proposed Extraordinary Dividends	Surplus Post Extraordinary Dividends
PSPIC	$ 57,724,204	$ 7,313,535	$ 50,410,669	$ 15,500,000	$34,910,669
GVIC	53,566,168	5,741,369	47,824,799	28,250,000	19,574,799
GVSIC	24,199,915	2,756,967	21,442,948	1,000,000	20,442,948
Total	$135,490,287	$15,811,871	$119,678,416	$44,750,000	$74,928,416

In May 2008, the Arizona Department of Insurance issued a certificate of authority to GSIC.

COMPANY HISTORY

The Company was a wholly-owned subsidiary of the United States Fidelity and Guaranty Company (USF&G), a Maryland domiciled property and casualty insurer. As of December 31, 2003, USF&G was a wholly-owned subsidiary of The St. Paul Companies, Inc., a publicly traded insurance holding company incorporated in Minnesota. In April of 2004, The St. Paul Companies, Inc. and Travelers Property Casualty Corporation, a Connecticut-based insurance holding company, were combined in a merger transaction. The combined company, renamed The St. Paul Travelers Companies, Inc. (STA), is headquartered in St. Paul, Minnesota. There was no change in the ownership or control of the Company as a result of the transaction.

Effective November 1, 2005, GeoVera Holdings, Inc. (GVH), formerly known as HFF&L Holdings Inc., acquired 100% of the outstanding shares of the Company, and its affiliates, GeoVera Insurance Company (GVIC) and GeoVera Specialty Insurance Company (GVSIC). These acquisitions were part of a larger transaction totaling $143,899,431, whereby GeoVera Insurance Holdings, Ltd. (Bermuda), GVH's parent company, purchased other assets from USF&G and The St. Paul Travelers Companies, Inc. The price paid for the Company was its surplus based on Generally Accepted Accounting Principles (GAAP). The following schedule details the entire acquisition, including all entities purchased and goodwill paid:

	GAAP Surplus at 11/01/2005
GeoVera Holdings, Inc.	$ 746,810
Pacific Select Property Insurance Company	39,801,882
GeoVera Insurance Company	45,118,343
GeoVera Specialty Insurance Company	28,310,678
GeoVera Specialty Services, Inc.	156,718
Total estimated fair value of the net tangible assets acquired	114,134,431
Estimated fair value of intangible assets (including Goodwill)	29,765,000
Total acquisition price	$143,899,431

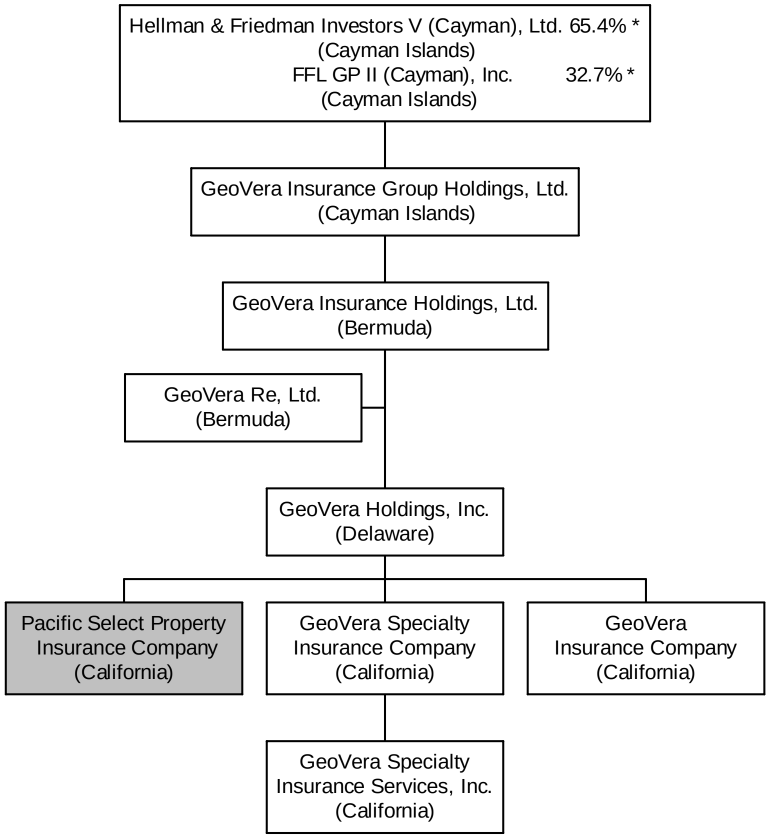
The acquisition of the Company was approved by the California Department of Insurance (CDI) on October 14, 2005.

On November 1, 2005, GeoVera Holdings, Inc. (GVH), contributed $6.5 million in cash to the Company. In 2006, the Company paid $4,848,469 million in stockholder dividends to GVH. The dividend payments were approved by the CDI. During 2004 and 2003, the Company paid ordinary dividends of $3,000,000 and $2,740,000, respectively, to its former parent company, USF&G.

MANAGEMENT AND CONTROL

The Company's immediate parent company, GeoVera Holdings, Inc., owns 100% of the Company. The Company is part of a holding company structure in which private equity investors, Hellman & Friedman Investors V (Cayman), Ltd. (H&F) and FFL GP II (Cayman), Inc. (FFL) are the ultimate controlling persons. Although the Company disclosed its ultimate controlling parents, H&F and FFL, in its annual Form B filings, it was noted that the Company did not disclose its ultimate controlling parents in Schedule Y of its 2005 and 2006 Annual Statements. Statements of Statutory Accounting Principles No. 25, paragraph 2c requires the disclosure of the principal owners of the reporting entity. It is recommended that the Company disclose the ultimate controlling parents in Schedule Y of its Annual Statement.

The following is an abridged organizational chart depicting the Company within the holding company system (all ownership is 100% unless otherwise indicated):



*1.9% owned by members of GeoVera Insurance Holdings, Ltd. senior management.

Management and control of the Company is vested in a four-member board of directors. As of December 31, 2006, the directors and principal officers were as follows:

Directors

Name and Residence	Principal Business Affiliation
Kevin M. Nish Fairfield, California	President, Chairman of the Board Pacific Select Property Insurance Company, GeoVera Insurance Company and GeoVera Specialty Insurance Company

Name and Residence	Principal Business Affiliation
Karen M. Padovese San Rafael, California	Chief Operating Officer Pacific Select Property Insurance Company, GeoVera Insurance Company and GeoVera Specialty Insurance Company
Brian T. Sheekey Napa, California	Chief Financial Officer Pacific Select Property Insurance Company, GeoVera Insurance Company and GeoVera Specialty Insurance Company
Michael J. Zukerman* Piedmont, California	General Counsel & Secretary Pacific Select Property Insurance Company, GeoVera Insurance Company and GeoVera Specialty Insurance Company

Principal Officers

Name	Title
Kevin M. Nish	President
Karen M. Padovese	Chief Operating Officer
Brian T. Sheekey	Chief Financial Officer
Michael J. Zukerman	General Counsel and Secretary

*Replaced Rosemary Quinn during 2006.

Management Agreements

Services Agreement: The Company has a services agreement with its parent, GeoVera Holdings, Inc. (GVH), which was approved by the California Department of Insurance (CDI) to be effective November 1, 2005. Under terms of this agreement, GVH provides the following services to the Company: financial reporting, tax compliance, treasury services, budget and cost accounting, human resources, payroll, electronic fund transfer, investments, legal, office services, actuarial services, marketing and corporate affairs services, computer services, policy administration including claims administration, graphic arts and other additional services as needed. The Company reimburses GVH for the services rendered based on allocated cost with no profit factor. Effective August 10, 2006, the agreement was amended to reflect changes in invoice and payment terms. The CDI approved the amendment for use on July 28, 2006. For the full year of 2006, the Company paid $1,887,500 to GVH for services received under the agreement.

Tax Sharing Agreement: The Company's federal income tax return is filed on a consolidated basis with its parent company, GVH, pursuant to a Tax Sharing Agreement dated September 15, 2005 that was approved by the CDI on October 28, 2005. Annual tax liability of the participants to the agreement is based on the participants' separate taxable income with credits for operating losses or other items used in the consolidated return.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2006, the Company was licensed to write the following lines of business in California: boiler and machinery, burglary, fire, liability, miscellaneous, plate glass, and sprinkler. At December 31, 2006, the Company was licensed to transact business in California and Ohio (the Company incorrectly indicated in its 2006 Annual Statement – Schedule T that it was licensed in 18 states). Of the $22,214,462 in direct written premiums in 2006, 100% was written in the earthquake line in California.

The Company's products are offered through 2,094 independent agents and brokers and personal line agencies affiliated with financial institutions. The Company operates from its headquarters in Fairfield, California offering stand-alone, high deductible earthquake policies. The Company also directly sells to the public through its call center in Fairfield, California.

Under terms of the inter-company reinsurance pooling agreements, most of the underwriting transactions of the Company are pooled, reapportioned and then distributed to the members of the pool, as discussed under the caption "Reinsurance."

The Company operations (underwriting, marketing, accounting, customer service, legal, and claim management) are based at its Fairfield, California home office. Except for its officers, the Company has no employees. The day-to-day operation of the Company is managed by GeoVera Holdings, Inc. in accordance with a management services agreement.

REINSURANCE

Inter-Company Reinsurance Pooling Agreement

The Company is a participant in an inter-company reinsurance pooling agreement (agreement) with two of its affiliates, GeoVera Insurance Company (GVIC) and GeoVera Specialty Insurance Company (GVSIC). The Company is the lead insurer (Pool Leader). Under the terms of this agreement, GVIC and GVSIC cede, and the Company assumes, 100% of the GVIC and GVSIC's net retained liabilities after cessions to external reinsurers and its Bermuda affiliate, GeoVera Re, Ltd. The cessions from the participants are combined with the Company's business, resulting in the allocation of the pooled balance to each company in the pool as follows:

Pool Members	State of Domicile	Participation %
Pacific Select Property Insurance Company (PSPIC)	California	46.5%
GeoVera Insurance Company*	Maryland	36.5%
GeoVera Specialty Insurance Company*	Maryland	17.0%
Total		100.0%

* Company redomesticated to California effective January 1, 2007

In accordance with the terms of the agreement: (1) Each of the Pool Members other than the Pool Leader, agrees to cede to the Pool Leader and the Pool Leader accepts each such pool member's liabilities after deduction of recoveries from external and GeoVera Re, Ltd reinsurance and (2) The Pool Leader agrees to cede to the Pool Members and the Pool Members accept a quota share of the adjusted net liabilities and obligations that include assessments, underwriting expenses, taxes, and policy dividends after the deductions of recoveries under external and GeoVera Re, Ltd. reinsurance. Accounts are required to be settled within 45 days after the close of each calendar quarter. Effective January 1, 2007, the agreement was amended to set the percentage rates for the Company, GVIC and GVSIC at 46.5%, 36.5% and 17.0%, respectively. The agreement and subsequent amendment were approved by the CDI on October 18, 2005 and November 2, 2007, respectively.

Affiliated Quota Share Agreement: The Company has a quota share agreement with its Bermuda affiliate, GeoVera Re, Ltd. (GVRe). Under the terms of this agreement, the Company cedes and GVRe accepts 50% of the Company's net retained liabilities. Effective March 1, 2007, the agreement was amended to a 60% quota share with a 43% ceding commission. This agreement and subsequent amendment were approved by the CDI on October 18, 2005 and June 6, 2007, respectively. The Company is currently in the process of obtaining approval from the California Department of Insurance to change the ceding commission rate under the agreement to 45% (to be effective March 1, 2008).

Assumed

Except for the business assumed under the inter-company reinsurance pooling agreement, the Company assumes no other business.

Ceded

Following is a schedule of the third party ceded reinsurance agreements in-force as of December 31, 2006:

Type of Contract and Lines of Business	Reinsurer(s)	Company's Retention	Reinsurers' Limits
Excess of Loss Personal Lines or Monoline Residential Earthquake – Layer 1 through 3 First Layer	Hannover Ruckversicherungs (2.5%) Platinum Underwriters (8%) Lloyds Syndicates (22.96%) Unauthorized (60.29%)/15 reinsurers	1st layer - $50 million Ultimate Net Loss (UNL) per loss occurrence plus 6.25% of $50 million excess of $50 million	1st layer -93.75% of $50 million UNL per loss occurrence excess $50 million

Type of Contract and Lines of Business	Reinsurer(s)	Company's Retention	Reinsurers' Limits
Second Layer	Hannover Ruckversicherungs (2.5%) Folksamerica Reinsurance Company (2%) Platinum Underwriters (4%) Lloyds Syndicates (25.08) Unauthorized (61.50%)/18 reinsurers	2nd layer - $100 million UNL per loss occurrence plus 4.92 % of $150 million excess $100 million	2nd layer -95.08% $150 million UNL per loss occurrence excess $100 million
Third Layer	Hannover Ruckversicherungs (2.5%) Federal Insurance Company (5%) Platinum Underwriters (2.5%) Swiss Reinsurance America (6%) Other Domestic (2%) Lloyds Syndicates (27.53%) Unauthorized (48.975%)/17 reinsurers	3rd layer - $250 million UNL per loss occurrence plus 5.5% of $200 million excess $250 million	3rd layer -94.50% of $200 million UNL per loss occurrence excess $250 million
Fourth Layer – Residential Earthquake – California and Washington Only	Hannover Ruckversicherungs (1.0%) Swiss Reinsurance America (7.5%) Other Domestic (2.15%) Lloyds Syndicates (47.03%) Unauthorized (39.24%)/14 reinsurers	4th layer - $450 million UNL per loss occurrence plus 3.08% of $375 million excess of $450 million	4th layer – 96.92% of $375 million UNL per loss occurrence excess $450 million
Florida Catastrophe Excess of Loss	Renaissance Reinsurance Ltd.* (60%)* DaVinci Reinsurance Ltd.* (40%)* *Unauthorized	$450 million UNL per loss occurrence	$25 million UNL excess $450 million per loss occurrence
Quota Share Personal Lines or Monoline Residential Earthquake	Aspen Insurance Limited (3.75%)* Hiscox Insurance Company Ltd. (0.625%)* Lloyd's Syndicate #33 (1.875%) *Unauthorized	93.75% of UNL up to $800 million per loss occurrence	6.25% of UNL up to a maximum of $800 million per loss occurrence
Quota Share Indemnity	United States Fidelity and Guaranty (USF&G)	None	USF&G indemnifies the Company for all losses incurred prior to November 1, 2005 as well as any subsequent loss development.

ACCOUNTS AND RECORDS

Subsequent to the filing of its 2006 Annual Statement, the Company recorded certain adjustments which were primarily related to the Company and its affiliate's, GeoVera Insurance Company, participation in the California Fair Plan (Plan). The Company had inadvertently excluded the participation in the Plan from its Annual Statement - Schedule P. As a result, the Company's external auditors included an adjusted Schedule P in its 2006 Audited Report. The amounts were not material therefore no adjustments will be made for the purposes of this examination report.

It is recommended that the Company institute controls to ensure that its Schedule P is accurate and complete.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2006

Underwriting and Investment Exhibit for the Year Ended December 31, 2006

Reconciliation of Surplus as Regards Policyholders from December 31, 2002 through December 31, 2006

Statement of Financial Condition
as of December 31, 2006

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 59,553,564	$	$ 59,553,564	
Cash and short-term investments	34,601,159		34,601,159	
Receivables for securities	28,961		28,961	
Investment income due and accrued	498,794		498,794	
Uncollected premiums and agents' balances in course of collection	16,840,000		16,840,000	(1)
Reinsurance: Amount recoverable from reinsurers	4,352,661		4,352,661	
Net deferred tax asset	6,096,658	186,805	5,909,853	
Electronic data processing equipment and software	36,921		36,921	
Aggregate write-ins for other than invested assets	7,104	7,104		
Total assets	$122,015,822	$ 193,909	$121,821,913	
Liabilities, Surplus and Other Funds				
Losses			$ 7,250,571	(2)
Reinsurance payable on paid losses and loss adjustment expenses			7,988,890	
Loss adjustment expenses			1,511,391	(2)
Commissions payable			1,330,395	
Other expenses			1,013,524	
Taxes, licenses and fees			133,653	
Current federal and foreign income taxes			937,812	
Unearned premiums			30,775,545	
Advance premium			558,001	
Ceded reinsurance premiums payable			10,482,597	
Remittances and items not allocated			555	
Payable to parent, subsidiaries and affiliates			612,432	
Aggregate write-ins for liabilities			9,381,351	
Total liabilities			71,976,717	
Common capital stock		$ 2,600,000		
Gross paid-in and contributed surplus		27,108,355		
Unassigned funds (surplus)		20,136,841		
Surplus as regards policyholders			49,845,196	
Total liabilities, surplus and other funds			$121,821,913	

Underwriting and Investment Exhibit for the Year Ended December 31, 2006

Statement of Income

Underwriting Income		
Premiums earned		$35,231,879
Deductions:		
Losses incurred	$13,733,947	
Loss expenses incurred	2,686,646	
Other underwriting expenses incurred	12,893,111	
Total underwriting deductions		29,313,704
Net underwriting gain		5,918,175
Investment Income		
Net investment income earned	$ 3,746,903	
Net realized capital losses	(191,058)	
Net investment gain		3,555,845
Other Income		
Finance and service charges not included in premiums	$ 1,280,999	
Total other income		1,280,999
Net income before federal and foreign income taxes		10,755,019
Federal and foreign income taxes incurred		5,195,781
Net income		$ 5,559,238

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2005		$48,484,690
Net income	$ 5,559,238	
Change in net deferred income tax	1,676,385	
Change in nonadmitted assets	(89,128)	
Dividends to stockholders	(4,848,469)	
Aggregate write-in for gains and losses in surplus	(937,520)	
Change in surplus as regards policyholders for the year		1,360,506
Surplus as regards policyholders, December 31, 2006		$49,845,196

Reconciliation of Surplus as Regards Policyholders
from December 31, 2002 through December 31, 2006

Surplus as regards policyholders, December 31, 2002, per Examination			$33,407,458
	Gain in Surplus	Loss in Surplus	
Net income	$17,519,905	$	
Change in net deferred income tax	3,455,144		
Change in nonadmitted assets		183,945	
Surplus paid-in	6,536,000		
Dividends to stockholders		10,588,469	
Aggregate write-ins for gains and losses in surplus		300,897	
Total gains and losses	$27,511,049	$11,073,311	
Increase in surplus as regards policyholders			16,437,738
Surplus as regards policyholders, December 31, 2006, per Examination			$49,845,196

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Uncollected Premiums and Agents' Balances in the Course of Collection

Included in this account was $1.6 million representing installment premiums booked but deferred. The installment premiums booked but deferred and not yet due are incorrectly classified in premiums and agents balances in the course of collection. This exception has been outstanding for the previous two exams. It is recommended that installment premiums booked but deferred and not yet due be reported in the Annual Statement under "Deferred premiums, agents' balances and installments booked but deferred and not yet due."

(2) Losses and Loss Adjustment Expenses

A Casualty Actuary from the California Department of Insurance reviewed the Company's loss and loss adjustment expense reserves as of December 31, 2006. Based on that review, the Company's December 31, 2006 reserves for losses and loss adjustment expenses were determined to be reasonably stated and have been accepted for purposes of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Management and Control – (Page 4): It is recommended that the Company disclose the ultimate controlling parents in Schedule Y of the Annual Statement in compliance with Statements of Statutory Accounting Principles No. 25, paragraph 2c.

Accounts and Records – (Page 11): It is recommended that the Company institute controls to ensure that its Annual Statement Schedule P is accurate and complete.

Comments on Financial Statement Items – Uncollected Premiums and Agents' Balances in Course of Collection (Page 15): It is recommended that installment premiums booked but deferred and not yet due be reported in the Annual Statement under "Deferred premiums, agents' balances and installments booked but deferred and not yet due."

Previous Report of Examination

Corporate Records (Page 5): It was recommended that the Company inform the board that the Report of Examination has been received and is available for inspection and that the Company enter such facts in the board minutes pursuant to California Insurance Code Section 735. The Company has complied with the recommendation.

Accounts and Records (Page 6): It was noted that there was a month lag in recording premiums, cash receipts and cash disbursements. It was recommended that the Company record these transactions in a timelier manner. The Company has complied with this recommendation.

Accounts and Records (Page 6): It was recommended that the Company evaluate its systems interruption plan, business continuity plan, and computer room physical hazards and make appropriate changes to strengthen its information system controls. The Company was not in compliance in 2006. Due to the remediation efforts in 2007 and 2008, the Company has complied with this recommendation.

Comments on Financial Statement Items – Cash and Short-Term Investments (Page 12): It was recommended that the Company record its cash receipts and disbursement in a timelier manner. It was also recommended that old outstanding checks be removed from the lists of outstanding checks and reclassified to an unclaimed fund account, which would be subject to escheat laws. The Company has complied with these recommendations.

Comments on Financial Statement Items – Uncollected Premiums and Agents' Balances in Course of Collection (Page 12): It was recommended that installment premiums booked but deferred and not yet due be reported in the Annual Statement under "Deferred premiums, agents' balances and installments booked but deferred and not yet due." The Company has not complied with this recommendation and the same recommendation is repeated in the current examination report.

Comments on Financial Statement Items – Uncollected Premiums and Agents' Balances in Course of Collection (Page 12): It was recommended that advance premiums be treated as a liability and reported in the Annual Statement as "Advance premiums." The Company has complied with this recommendation.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees of GeoVera Holdings, Inc., during the course of this examination.

Respectfully submitted,

_______________/S/____________________
Sandra Bailey, CFE
Examiner-In-Charge
Senior Insurance Examiner
Department of Insurance
State of California